

AMENDED IN SENATE SEPTEMBER 8, 2003  
AMENDED IN ASSEMBLY FEBRUARY 25, 2003

CALIFORNIA LEGISLATURE—2003–04 REGULAR SESSION

## ASSEMBLY BILL

**No. 94**

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**Introduced by Assembly Member Chu**

January 8, 2003

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An act to amend Section 96.31 of the Revenue and Taxation Code, relating to property taxation.

### LEGISLATIVE COUNSEL'S DIGEST

AB 94, as amended, Chu. Property taxation: pension funding.

Existing property tax law generally prohibits a local jurisdiction, in the 1985–86 fiscal year and each fiscal year thereafter, from imposing a property tax rate pursuant to a specified statutory provision in excess of the rate so imposed by that jurisdiction in the 1982–83 or 1983–84 fiscal year, except as otherwise specified.

This bill would establish an additional exception to this prohibition by allowing a local agency to impose a higher property tax rate to make payments in support of pension programs approved by the voters before July 1, 1978, and make technical, nonsubstantive changes to this provision. *This bill would also require a local agency that imposes a higher property tax rate pursuant to these provisions to comply, if applicable, with specified statutes and provisions of the California Constitution.*

Vote: majority. Appropriation: no. Fiscal committee: no.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

SECTION 1. Section 96.31 of the Revenue and Taxation Code is amended to read:

96.31. (a) For the 1985–86 fiscal year and each fiscal year thereafter, a jurisdiction may not impose a property tax rate pursuant to subdivision (a) of Section 93, unless it is imposed for one or more of the following purposes:

(1) To make annual payments for the interest and principal on general obligation bonds approved by the voters before July 1, 1978, and on bonded indebtedness for the acquisition and improvement of real property approved by the voters by a two-thirds vote after June 4, 1986.

(2) To make payments to the State of California under contracts for the sale, delivery, or use of water entered into pursuant to California Water Resources Development Bond Act in Chapter 8 (commencing with Section 12930) of Part 6 of Division 6 of the Water Code or to make payments to the United States or another public agency under voter-approved contracts for the sale, delivery, or use of water or for the repayment of voter-approved obligations for the construction, maintenance, or operation of water conservation, treatment, or distribution facilities, provided that the indebtedness was approved by the voters before July 1, 1978.

(3) To make payments pursuant to lease-purchase programs approved by the voters before July 1, 1978, provided that the jurisdiction imposed the property tax rate in the 1982–83 fiscal year.

(4) To make payments in support of pension programs approved by the voters before July 1, 1978, provided that the local agency imposed the property tax rate in the 1982–83 or 1983–84 fiscal year.

(5) To make payments in support of paramedic, library, or zoo programs approved by the voters before July 1, 1978, provided that the jurisdiction imposed the property tax rate in the 1982–83 fiscal year.

(6) To make payments for the interest and principal on an indebtedness, pursuant to Section 5544.2 of the Public Resources Code, approved by the voters before July 1, 1978, provided that the

1 local agency imposed the property tax rate in the 1982–83 fiscal  
2 year.

3 (b) In the 1985–86 fiscal year and any fiscal year thereafter, a  
4 jurisdiction may not impose a property tax rate, pursuant to  
5 subdivision (a) of Section 93, in excess of the rate it imposed in the  
6 1982–83 or 1983–84 fiscal year. Notwithstanding the limit  
7 imposed by this subdivision, a higher property tax rate may be  
8 imposed whenever necessary to make payments for any of the  
9 purposes specified in paragraphs (1), (2), (3), and (4) of  
10 subdivision (a). However, a property tax rate increase in excess of  
11 the rate imposed in the 1984–85 fiscal year may not be imposed  
12 if the purpose of the rate increase is to fund a reduction in the rates  
13 charged for water at the time of the property tax rate increase.

14 (c) Notwithstanding subdivisions (a) and (b), a charter city may  
15 levy an ad valorem property tax rate to make payments in support  
16 of a retirement system for fire and police employees if all of the  
17 following criteria are met:

18 (1) The retirement system is part of the city’s charter and was  
19 approved by the voters before July 1, 1978.

20 (2) The city did not levy a separate ad valorem property tax rate  
21 to support the retirement system in the 1983–84 fiscal year.

22 (3) The retirement system provides for a cost-of-living  
23 adjustment that is indexed to a consumer price index and does not  
24 limit the annual increases that may be paid to members after their  
25 retirement.

26 (4) The retirement system is not currently available to newly  
27 hired fire and police employees and will not be available in the  
28 future.

29 (5) Before January 1, 1985, the city unsuccessfully litigated a  
30 limit to the cost-of-living adjustment that may be paid to members  
31 of the retirement system after their retirement.

32 (6) After July 1, 1985, the city conducted an election and a  
33 question authorizing the levying of an ad valorem property tax for  
34 the purpose of making payments in support of the retirement  
35 system received the affirmative votes of at least 60 percent of those  
36 voting on that question.

37 The proceeds of an ad valorem property tax rate levied pursuant  
38 to this subdivision shall be used only to pay for the obligations of  
39 a retirement system described by this subdivision. The proceeds  
40 may not be used to finance more than 75 percent of the annual

1 obligations of this retirement system. A city may not levy an ad  
2 valorem property tax pursuant to this subdivision after June 30,  
3 2034.

4 (d) If a jurisdiction imposes a rate in excess of the maximum  
5 rate authorized by subdivision (a), (b), or (c), the amount of  
6 property tax allocated to the jurisdiction pursuant to this chapter  
7 shall be reduced by one dollar (\$1) for each one dollar (\$1) of  
8 property tax revenue attributable to the excess rate. Any property  
9 tax revenue that has been subtracted from a jurisdiction's  
10 allocation pursuant to this subdivision shall be allocated to  
11 elementary, high school, and unified school districts within the  
12 jurisdiction's jurisdiction in proportion to the average daily  
13 attendance of each district.

14 (e) *If a local agency imposes a property tax rate, pursuant to*  
15 *subdivision (b) for the purposes specified in paragraph (4) of*  
16 *subdivision (a), that is higher than the rate so imposed for the*  
17 *1982-83 or 1983-84 fiscal year, the local agency shall, to the extent*  
18 *applicable, comply with the provisions of Articles XIII A and XIII*  
19 *C of the California Constitution and Article 4.6 (commencing with*  
20 *Section 53750) of Chapter 4 of Part 1 of Division 2 of Title 5 of the*  
21 *Government Code.*

22 (f) This section is deemed to be a limit on the maximum  
23 property tax rate pursuant to Section 20 of Article XIII of the  
24 California Constitution.

